THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Financial Position

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
Financial assets:		
Cash	$ 89,665,753	$ 82,304,276
Accounts receivable (note 3)	43,126,011	36,311,549
Loans and mortgages receivable (note 4)	78,659,823	84,909,195
Land inventory (note 5)	20,527,836	33,221,035
Other receivables (note 3)	20,757,566	21,584,928
	252,736,989	258,330,983
Financial liabilities:		
Accounts payable and accrued liabilities	56,554,676	54,760,150
Borrowings (note 7)	991,150,829	1,011,452,396
Other liabilites (note 8)	14,260,985	15,117,033
Unearned revenue (note 9)		
Rental and lot sales deposits	12,436,181	18,267,140
Funds held for third party expenses	17,450,596	34,016,190
Housing Development and Rehabilitiation Fund	16,167,401	16,241,722
	1,108,020,668	1,149,854,631
Net debt	(855,283,679)	(891,523,648)
Non-financial assets:		
Prepaid expenses	1,445,584	1,364,568
Tangible capital assets (note 6)	793,291,331	803,328,307
	794,736,915	804,692,875
Accumulated deficit	$ (60,546,764)	$ (86,830,773)

Contractual rights (note 14)
Contingencies (note 21)
Commitments (note 22)
Guarantees (note 23)
Subsequent event (note 23 and note 27)

See accompanying notes to financial statements

On behalf of the Board:

Original Document Signed
Director

Original Document Signed
Director

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Operations

Year ended March 31, 2020, with comparative figures for 2019

	Budget	2020	2019
Revenue:			
Grants from the Province of Manitoba (note 10)	$ 117,884,000	$ 122,021,637	$ 108,494,954
Contributed services (note 11)	-	375,400	456,400
Rental revenue (note 13)	79,936,000	79,592,289	80,248,721
Other government contributions (note 14)	54,081,000	53,511,734	65,967,925
Housing Development and Rehabilitation Fund (note 9 c)	17,330,000	17,330,000	14,572,200
Contributions related to capital	606,000	15,682,450	4,165,666
	269,837,000	288,513,510	273,905,866
Interest:			
Loans and mortgages	-	6,503,321	7,219,998
Bank and other	600,000	1,033,549	1,903,911
	600,000	7,536,870	9,123,909
Sales of land:			
Waverley West (note 9 c)	-	18,823,617	30,049,518
	-	18,823,617	30,049,518
Gain on disposal of tangible capital assets	7,556,000	6,204,342	30,008,227
Other	-	1,272,991	778,177
Total revenue	277,993,000	322,351,330	343,865,697
Expenses (note 12):			
Housing operations (note 13)	213,561,000	209,764,391	212,224,257
Rental subsidies (note 15)	37,397,000	39,540,674	39,826,899
Grants and subsidies (note 16)	4,473,000	4,910,172	4,742,041
Administrative services	8,900,000	8,981,538	10,847,595
Land development (note 9 c)	-	18,823,617	30,049,518
Housing program supports (note 17)	11,600,000	11,648,207	22,811,802
Other	2,062,000	2,398,722	565,338
	277,993,000	296,067,321	321,067,450
			-
Surplus (deficit) for the year		$ 26,284,009	$ 22,798,247
Accumulated deficit, beginning of year:		(86,830,773)	(109,629,020)
Accumulated deficit, end of year		$ (60,546,764)	$ (86,830,773)

See accompanying notes to financial statements

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Change in Net Debt

Year ended March 31, 2020, with comparative figures for 2019

	Budget	2020	2019
Annual surplus	$ -	$ 26,284,009	$ 22,798,247
Tangible capital assets:			
Acquisition of tangible capital assets	(79,123,283)	(46,151,975)	(31,905,839)
Amortization of tangible capital assets	52,563,700	52,975,762	49,364,070
Disposal of tangible capital assets	-	3,213,189	5,688,440
Net acquisition of tangible capital assets	(26,559,583)	10,036,976	23,146,671
Other non-financial assets:			
Increase in prepaid expenses	-	(81,016)	(13,067)
Net acquisition of other non-financial assets	$ -	(81,016)	(13,067)
Decrease in net debt		36,239,969	45,931,851
Net debt, beginning of year		(891,523,648)	(937,455,499)
Net debt, end of the year		$ (855,283,679)	$ (891,523,648)

THE MANITOBA HOUSING AND RENEWAL CORPORATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
Operating activities:		
Annual surplus	$ 26,284,009	$ 22,798,247
Non-cash changes in operations:		
Amortization of tangible capital assets	52,975,762	49,364,070
Provision for loss and write downs	45,423	65,836
Gain on disposal of tangible capital assets	(6,204,342)	(30,008,227)
Change in non-cash working capital:		
Accounts receivable	(6,814,462)	23,612,880
Prepaid expenses	(81,016)	(13,067)
Other receivables	827,362	477,730
Land inventory	12,693,199	8,380,004
Accounts payable and accrued liabilities	1,794,526	4,949,646
Other liabilities	(856,048)	(457,622)
Net decrease in unearned revenue	(22,470,874)	(11,661,097)
	58,193,539	67,508,400
Capital activities:		
Proceeds from disposal of tangible capital assets	9,417,531	35,695,162
Purchase of tangible capital assets	(46,151,975)	(31,905,839)
	(36,734,444)	3,789,323
Investing activities:		
Additions to loans and mortgages receivable	(2,553,083)	(800,468)
Proceeds from repayment of loans and mortgages receivable	8,757,031	8,725,020
	6,203,948	7,924,552
Financing activities:		
Repayment of borrowings	(117,995,793)	(194,777,619)
Proceeds from borrowings	97,694,227	108,167,472
	(20,301,566)	(86,610,147)
Net increase (decrease) in cash	7,361,477	(7,387,872)
Cash, beginning of year	82,304,276	89,692,148
Cash, end of year	$ 89,665,753	$ 82,304,276

See accompanying notes to financial statements

1. General

The Manitoba Housing and Renewal Corporation (MHRC) operates under the authority of The Housing and Renewal Corporation Act, being Chapter H 160 Revised Statutes of Manitoba 1987. The purposes and objectives of the Act are:

a) to ensure that there is an adequate supply of housing stock in Manitoba;
b) to enhance the affordability of, and accessibility to, adequate housing for Manitobans, particularly those of low and moderate income and those with specialized needs;
c) to maintain and improve the condition of existing housing stock; and
d) to stimulate and influence the activities of the housing market to the benefit of Manitobans as a whole.

MHRC is under the management and control of a Board of Directors appointed by the Lieutenant Governor in Council. The board shall consist of not fewer than five members and not more than 13 members and the Lieutenant Governor in Council may designate one of the members of the board as chairperson and one member as vice-chairperson.

MHRC is economically dependent on the Government of the Province of Manitoba.

2. Significant accounting policies

a) Revenue recognition

Any unrestricted non-government contributions or grants are recorded as revenue in the year received. All non-government contributions or grants that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose specified. Any externally restricted inflow received before the criterion has been met is reported as unearned revenue until the resources are used for the purpose or purposes specified.

Government transfers received are recognized in the financial statements as revenue in the fiscal year they are authorized, any eligibility criteria have been met, stipulations, if any, have been met and reasonable estimate of the amounts can be determined.

Rental revenue is recognized in the fiscal period during which the service is provided.

Land sales are recognized in the period in which the ownership is transferred, except for the profit component associated with land development revenue. Land development profits are restricted as to their use by Legislation approved by the Province of Manitoba and therefore revenue is included in unearned revenue until the profits are used to support eligible expenditures (note 9 c).

Interest is recognized on an accrual basis in the fiscal period in which it is earned.

b) Financial instruments

Financial instruments are recorded at fair value or exchange amount on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost using the effective interest method, unless management has elected to carry a group of financial instruments at fair value in accordance with its risk management or investment strategy. MHRC has not elected to carry any such group of financial instruments at fair value.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the effective interest method.

c) Loans and mortgages receivable

MHRC maintains an allowance for loan impairment, which reduces the carrying value of loans and mortgages receivable to their estimated realizable amounts. Depending on the program under which the loan or mortgage is made, estimated realizable amounts are determined with reference to MHRC's historical loss experience on similar loans or the appraised value of the project financed by the loan or mortgage.

Specific allowances are established for individual loans and mortgages for which the estimated realizable amount is less than the carrying value. MHRC does not provide an additional non-specific, general provision for loan impairment. MHRC's Board of Directors has approved a policy which defines whether an individual mortgage or loan balance is to be considered impaired based on the time period that it has been in arrears.

Loan forgiveness for forgivable loans is approved in accordance with the terms of the loan agreements. MHRC records an asset valuation allowance equal to the amount of the loan at the time the loan is granted. As forgiveness conditions are met by the borrower, MHRC records the annual forgiveness by reducing both the forgivable loan and the accompanying valuation allowance. Any Federal Government contributions towards forgivable loans are recorded as revenue as loans are disbursed.

2. Significant accounting policies (continued)

d) Tangible capital assets

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Construction in progress is transferred to the appropriate capital asset category when the project is completed and the asset is placed in service at which time, amortization commences. Cost includes direct construction costs, land acquisition costs and interest and other related carrying charges incurred during the period of construction. Repairs and maintenance costs are charged to expense. Betterments which extend or improve the life of an asset are capitalized. When a tangible capital asset no longer contributes to MHRC's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on a straight-line basis at the following rates:

Asset	Rate
Buildings	25 and 40 years
Building improvements	15 years
Leasehold improvements	Over the lease term
Computer - major application	15 years
Computer software - other	4 years
Computer system - hardware	4 years
Furniture and equipment	8 years

e) Land inventory

Land under development includes the value of land and all costs directly related to the land improvement. Development costs include, but are not limited to, site preparation, architectural, engineering, surveying, fencing, landscaping and infrastructure for electrical, roads and underground works.

Land held for future development or sale is valued at the lower of cost or appraised value adjusted for estimated disposition costs. Cost includes the original purchase price and related acquisition costs.

f) Employee future benefits

MHRC accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension, severance, compensated absences and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

Actuarial gains/(losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets, if applicable, for that period. Actuarial gains/(losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains/(losses) are amortized over the expected average remaining service life (EARSL) of active employees. The average remaining service period of the active employees covered by the pension plan is 10 years (2019 - 10 years).

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

Current service contributions for Direct Managed employees are recognized as operating expenses.

g) Contributed services

Under an agreement entered into between MHRC and the Province of Manitoba in 1984, the Departments of the Province of Manitoba provide administrative services to MHRC at no cost. The value of these contributed and administrative services is recorded as revenue and expenses.

h) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets, accounts receivable, loans and mortgages receivable, accrued liabilities, and other long-term liabilities. Actual results could differ from those estimates.

3. Accounts receivable

		2020		2019
Accounts receivable:				
Canada Mortgage and Housing Corporation	$	14,691,708	$	10,007,932
Government of the Province of Manitoba and its agencies		11,887,228		660,577
Rent receivables - net of allowance of $10,283,653 (2019 - $8,848,696)		3,160,803		4,038,424
Accrued interest on loans and mortgages receivable		281,474		267,411
City of Winnipeg		866,550		863,873
Other - net of allowance of $44,851 (2019 - $36,556)		12,238,248		20,473,332
	$	43,126,011	$	36,311,549

		2020		2019
Other receivables:				
Government of the Province of Manitoba:				
Pension recoverable (note 18)	$	7,787,753	$	8,615,115
Severance benefits (note 19)		1,446,105		1,446,105
		9,233,858		10,061,220
Securities for Waverley West installation of services - City of Winnipeg		11,523,708		11,523,708
	$	20,757,566	$	21,584,928

4. Loans and mortgages receivable

a) Composition of loans and mortgages receivable

	2020	2019
Federal/Provincial Housing Programs:		
Private Non-Profit Housing	$ 44,439,566	$ 51,092,342
Rural and Native Housing	6,854	12,312
Urban Native Housing	6,042,219	7,215,957
	50,488,639	58,320,611
Market Rental Programs:		
Co-operative HomeStart	3,534,549	3,916,766
	3,534,549	3,916,766
Other Programs:		
Community Residences	340,248	511,869
Homeowner Rehabilitation	9,243	10,849
Affordable Rental Housing	17,536,771	17,446,975
Other	10,244,237	8,180,961
	28,130,499	26,150,654
	82,153,687	88,388,031
Less - allowance for loan impairment	(3,493,864)	(3,478,836)
Subtotal repayable loans and mortgages receivable	78,659,823	84,909,195
Forgivable loans	345,721,287	333,167,339
	424,381,110	418,076,534
Less - forgivable loans asset valuation allowance	(345,721,287)	(333,167,339)
Loans and mortgages receivable	$ 78,659,823	$ 84,909,195

Loans and mortgages receivable bear interest at various rates between 0% and 13.50% (2019 - 0% and 13.50%) with maturities at various dates to 2053.

The loans and mortgages receivable for Federal/Provincial Housing Programs, Market Rental Programs, Community Residences and Affordable Rental Housing are secured by a mortgage on the underlying property.

Principal repayments on the loans and mortgages maturing in the next five years are estimated as follows:

2021	$ 11,131,536
2022	9,846,948
2023	9,015,514
2024	7,572,947
2025	5,667,401
Thereafter	38,919,341
	$ 82,153,687

b) Allowance for loan impairment

The allowance for loan impairment is comprised of the following specific provisions:

	2020	2019
Other programs	$ 3,493,864	$ 3,478,836
	$ 3,493,864	$ 3,478,836

5. Land inventory

		2020		2019
Land under development	$	19,952,058	$	32,631,365
Future development or sale		575,778		589,670
	$	20,527,836	$	33,221,035

6. Tangible capital assets

Cost	Balance at April 1, 2019	Additions	Disposals	Transfer to completed	2020	2019
Land	$ 31,496,991	$ 17,672	$ 1,998,600	$ -	$ 29,516,063	$ 31,496,991
Buildings & improvements	1,228,073,035	60,635,000	5,522,697	-	1,283,185,338	1,228,073,035
Under-construction	120,144,403	45,456,055	6,131	60,635,000	104,959,327	120,144,403
Other	13,874,957	678,248	-	-	14,553,205	13,874,957
	$ 1,393,589,386	$ 106,786,975	$ 7,527,428	$ 60,635,000	$ 1,432,213,933	$ 1,393,589,386

Accumulated amortization	Balance at April 1, 2019	Additions	Disposals	Transfer to completed	2020	2019
Land	$ -	$ -	$ -	$ -	$ -	$ -
Buildings & improvements	587,056,591	51,867,283	4,314,239	-	634,609,635	587,056,591
Under-construction	-	-	-	-	-	-
Other	3,204,488	1,108,479	-	-	4,312,967	3,204,488
	$ 590,261,079	$ 52,975,762	$ 4,314,239	$ -	$ 638,922,602	$ 590,261,079

Net book value		2020		2019
Land	$	29,516,063	$	31,496,991
Buildings & improvements		648,575,703		641,016,444
Under-construction		104,959,327		120,144,403
Other		10,240,238		10,670,469
	$	793,291,331	$	803,328,307

MHRC has capitalized $1,186,439.45 (2019 - $1,645,411) of interest during 2019/20 to construction in progress.

7. Borrowings

		2020		2019
Government of the Province of Manitoba:				
Advances, interest only payments until construction is complete, at which point it is converted into long-term advances. The interest rate as at March 31, 2020 was 1.70% (2019 - 2.63%).	$	115,829,603	$	113,407,488
Long-term advances, at interest rates from 2.00% to 13.28% (2019 - 2.63% to 11.32%) maturing at various dates to 2058 and requiring annual principal and interest payments of $93,031,635 (2019 - $88,960,299).		806,575,905		819,478,454
Canada Mortgage and Housing Corporation:				
Long-term advances, at interest rates from 5.67% to 5.93% (2019 - 5.67% to 5.93%) maturing at various dates to 2030 and requiring annual principal and interest payments of $14,449,688 (2019 - $14,449,688).		68,458,545		78,253,059
Mortgages payable (assumed on property acquisitions), at an interest rate of 10.50% (2019 - 10.50%) maturing at various dates to 2027 and requiring annual principal and interest payments of $50,337 (2019 - $50,337).		286,776		313,395
	$	991,150,829	$	1,011,452,396

Principal repayments on the borrowings, excluding unfixed term advances of $115,829,603 are estimated as follows:

2021	$	73,171,456
2022		74,114,725
2023		74,536,160
2024		72,155,644
2025		68,388,466
Thereafter		512,954,775
	$	875,321,226

8. Other liabilities

		2020		2019
Pension liability (note 18)	$	7,787,753	$	8,615,115
Severance liability (note 19)		5,876,505		5,791,550
Sick leave liability		596,727		710,368
	$	14,260,985	$	15,117,033

9. Unearned revenue

a) Rent and lot sales deposits

		2020		2019
Tenant prepaid rent	$	2,824,138	$	1,525,103
Prepaid land lease		30,128		31,667
Lot options - land under development		9,580,415		16,688,870
Deposit for future sales		1,500		21,500
	$	12,436,181	$	18,267,140

b) Funds held for third party expenses

Balance at April 1, 2019

		2020		2019
Balance, beginning of year	$	34,016,190	$	52,043,623
Contributions received		11,771,611		9,772,025
Amounts recognized as other government contributions		(28,337,205)		(27,799,458)
Balance, end of year	$	17,450,596	$	34,016,190

c) Housing Development and Rehabilitation Fund

On November 8, 2007, The Housing and Renewal Corporation Amendment Act provided for the establishment of a fund known as the "Housing Development and Rehabilitation Fund".

The fund is to be credited with suburban land development profits realized by MHRC in respect of land owned and developed by it or by a partnership or joint venture in which MHRC is or was a participant. The gross proceeds from land development was $35,725,884 (2019 -$42,900,680) and the cost of land sales was $18,823,617 (2019 - $30,049,518) during the year ended March 31, 2020. Interest earned on the amount is to be credited to the fund. The fund may be used to provide support for housing projects in areas of need within a municipality in which MHRC realized profits, including the development of new housing or the rehabilitation, repair and maintenance of existing housing.

All costs allocated to the portions of land sold in a land development project are deducted from the gross proceeds realized from sale of those portions of land in order to determine land development profits. MHRC uses the net yield method to allocate costs to the individual portions which are sold as part of a land development project. Common costs for the development project are allocated to portions which are sold based on acreage, and the cost allocation includes both an allocation of actual land development costs incurred as well as an allocation of costs which are required to complete those portions of the land which are reported as sold.

		2020		2019
Balance, beginning of year	$	16,241,722	$	17,652,340
Land development profits		16,902,267		12,851,162
Interest earned		353,412		310,420
Amounts recognized as Housing Development and Rehabilitation Fund revenue		(17,330,000)		(14,572,200)
Balance, end of year	$	16,167,401	$	16,241,722

10. Grants from the Province of Manitoba

	2020	2019
Department of Families		
MHRC operating programs	$ 104,932,966	$ 90,011,493
MHRC administration	14,514,520	15,453,200
Grants and subsidies	3,339,514	3,429,672
	122,787,000	108,894,365
Grants recovered from the Department of Finance:		
School Tax Assistance for Tenants 55 Plus Program	61,999	78,319
Change to pension obligation (note 18)	(827,362)	(477,730)
	(765,363)	(399,411)
	$ 122,021,637	$ 108,494,954

11. Contributed services

	2020	2019
Administrative services provided by Departments of the Province of Manitoba were allocated as follows:		
Included in Statement of Operations, administrative services	41,500	117,400
Included in administrative expenses in note 13, direct managed housing operations	332,200	337,800
Included in housing program supports, note 17	1,700	1,200
	$ 375,400	$ 456,400

12. Expenses by object

The Statement of Operations reports the expenditures by function; the following classifies those same expenditures by object:

	Budget	2020	2019
Amortization of tangible capital assets	$ 52,563,700	$ 52,975,762	$ 49,364,070
Communications	1,141,600	1,041,578	923,338
Debt servicing	47,682,700	41,307,586	44,196,430
Grants and transfer payments	18,255,000	22,295,364	22,064,232
Other operating	13,342,420	10,902,144	11,738,611
Personnel services	36,268,700	31,917,884	35,524,437
Supplies and services	108,295,980	135,220,922	156,806,337
Transportation	442,900	406,081	449,995
	$ 277,993,000	$ 296,067,321	$ 321,067,450

13. Housing operations

The management and operation of all MHRC owned social housing projects are direct managed and sponsor managed. The operating results are as follows:

	2020			2019		
	Direct Managed	Sponsor Managed	Total	Direct Managed	Sponsor Managed	Total
Revenue:						
Rental revenue	$ 55,890,341	$ 23,701,948	$ 79,592,289	$ 60,768,674	$ 19,480,047	$ 80,248,721
Expenses:						
Administrative	30,088,833	9,886,460	39,975,293	39,291,435	4,144,301	43,435,736
Property operating	48,603,535	17,940,021	66,543,556	53,073,368	13,305,685	66,379,053
Grants in lieu of taxes	13,150,792	4,165,538	17,316,330	13,689,530	3,618,384	17,307,914
Amortization	36,685,531	15,342,958	52,028,489	37,002,974	12,227,875	49,230,849
Interest	21,283,290	12,617,433	33,900,723	24,550,378	11,320,327	35,870,705
	149,811,981	59,952,410	209,764,391	167,607,685	44,616,572	212,224,257
Operating loss	$ 93,921,640	$ 36,250,462	$ 130,172,102	$ 106,839,011	$ 25,136,525	$ 131,975,536

14. Other government contributions

		2020		2019
Other Provincial contributions (a)	$	-	$	333,768
Federal contributions (b-e)		52,863,088		64,923,955
Municipal contributions (f)		648,646		710,202
	$	53,511,734	$	65,967,925

a) Other Provincial Contributions

On March 15, 2018, MHRC entered into an agreement with the Department of Families (Families) to provide all necessary services and expertise to administer and manage the capital funding provided by Families to MHRC for purposes of funding early learning and child care projects which are approved by Families. The agreement expired on March 31, 2020 and the annual funding will be determined by Families in each of the fiscal years covered.

b) Federal Contributions - Social Housing Agreement (SHA Agreement)

The Social Housing Agreement took effect on October 1, 1998 and expires August 31, 2031. Pursuant to the agreement, CMHC will pay pre-established annual contributions to MHRC for individual housing projects over the term of the agreement. Contributions due over the remaining term of the agreement are as follows:

2021	$	37,556,927
2022		34,731,527
2023		31,099,958
2024		25,554,199
2025		21,287,945
2026 to 2032		43,968,185
	$	194,198,741

c) Federal Contributions - Investment in Affordable Housing (IAH) Agreement

The Supplementary Agreement to the IAH Agreement (the "2014-2019 Extension") provides for CMHC to make contributions to MHRC of up to $51.750 million or $10.350 million annually for five years. In 2019 and prior years, total claims of $51.750 million were claimed from CMHC based on approved commitments.

d) Federal Contributions - Social Infrastructure Fund Agreement (SIF) Agreement

The SIF Agreement provides for CMHC to make contributions to MHRC of up to $51.440 million in 2017 and $16.240 in 2018, for a total funding of $67.680 million. All Federal Contributions under this agreement were claimed by March 31, 2018.

e) National Housing Strategy (NHS)

The NHS Agreement provides for CMHC to make contributions to MHRC of up to $302.706 million from 2019-20 until 2027-28. The Federal Contributions claimed under this agreement as of March 31, 2020 is $10.060 million.

f) Municipal Contributions

The City of Winnipeg signed an agreement in October 18, 1962 to provide funding of up to 12.5% of operating losses of three specific projects located in Winnipeg to help alleviate shortage of affordable housing. The City is billed based on actual operating results of this projects on an annual basis.

15. Rental subsidies

Rental subsidies are provided in accordance with project operating agreements with third parties which establish the basis of eligibility for subsidy assistance. The net rental subsidies required by these organizations are as follows:

		2020		2019
Not-for-Profit Housing	$	27,559,141	$	27,097,230
Co-operative Housing		1,625,782		1,887,170
Private Landlords		10,355,751		10,842,499
	$	39,540,674	$	39,826,899

16. Grants and subsidies

		2020		2019
Portable Housing Benefit	$	1,682,562	$	1,772,863
Emergency Shelter Assistance		1,656,952		1,656,952
School Tax Assistance for Tenants 55 Plus		61,999		80,065
Elderly & Infirm Persons Housing		88,555		118,168
Co-op HomeStart		46,894		57,547
Homeless Strategy		1,194,000		944,000
Bed Bug Program		179,210		112,446
	$	4,910,172	$	4,742,041

17. Housing program supports

		2020		2019
Forgivable loans	$	10,129,207	$	20,673,802
Administration and delivery agent fees		1,519,000		2,138,000
	$	11,648,207	$	22,811,802

18. Pension obligations

Employees of MHRC and Direct Managed employees are eligible for pensions under the Manitoba Civil Service Superannuation Fund (Superannuation Fund). This pension plan is a defined benefit plan. The most recent actuarial valuation of the Superannuation Fund at December 31, 2018 reported the Superannuation Fund had a deficiency of net assets over actuarial value of pension obligations of $784.4 million on a going concern basis. For Direct Managed employees, MHRC is required to contribute an amount approximately equal to the employees' contribution to the Superannuation Fund for current services. Such payments are charged to housing operations as incurred and MHRC has no further liability associated with the annual cost of pension benefits earned by Direct Managed employees. Pension expense recorded for Direct Managed employees for the year ended March 31, 2020 was $1,669,965 (2019 - $1,807,243).

MHRC has a liability associated with the annual cost of pension benefits earned by employees of MHRC. This liability is determined by an actuarial valuation each year based on data provided by MHRC with the balance for the intervening year being estimated by a formula provided by the actuary. The most recent valuation was completed at March 31, 2020.

	2020	2019
Pension liability per actuarial valuation:		
Balance at beginning of year	$ 9,535,355	$ 9,981,784
Interest cost on benefit obligations	572,121	598,907
Current service costs	631,489	659,783
Benefits paid	(2,143,444)	(1,835,822)
Experience loss (amortized over EARSL)	310,822	130,703
Balance at end of year	8,906,343	9,535,355
Unamortized actuarial loss	(1,118,590)	(920,240)
Pension liability balance at end of year	$ 7,787,753	$ 8,615,115

At March 31, 2020, the unamortized actuarial loss to be recognized in future periods is as follows:

	2020	2019
Unamortized actuarial loss:		
Balance at beginning of year	$ (920,240)	$ (888,939)
In year loss amortized over EARSL - 2020 - 10 years (2019 - 10 years)	(310,822)	(130,703)
Amortization of actuarial loss	112,472	99,402
Balance at end of year	$ (1,118,590)	$ (920,240)

	2020	2019
Change to pension obligation:		
Interest cost on benefit obligations	$ 572,121	$ 598,907
Current service costs	631,489	659,783
Benefits paid	(2,143,444)	(1,835,822)
Amortization of actuarial loss	112,472	99,402
Change to pension obligation	$ (827,362)	$ (477,730)

The above liability is in respect of active employees only and does not reflect any liability with respect to retired or former employees. The key actuarial assumptions were a rate of return of 5.75% (2019 - 6.00%), 2.00% inflation (2019 - 2.00%), general salary rate increases of 2.50% (2019 - 2.75%), excluding the 1.00% service and merit increases and post retirement indexing at 2/3 of the inflation rate. The projected benefit method was used and the liability has been calculated as at March 31, 2020 by the actuary.

The Province of Manitoba has accepted responsibility for funding MHRC's liability and related expense which includes an interest component. Therefore, MHRC has recorded a receivable from the Province of Manitoba equal to the estimated value of its actuarially determined pension liability of $7,787,753 as of March 31, 2020 (2019 - $8,615,115) and has recorded a decrease in revenue for fiscal 2020 equal to the related pension liability decrease of $827,362 (2019 - $477,730 increase). The Province of Manitoba makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

19. Severance

a) Severance pay liability

Effective April 1, 1998, MHRC commenced recording the estimated liability for accumulated severance pay benefits for its Direct Managed employees. The amount of this estimated liability is determined and recorded annually using the method of calculation set by the Province of Manitoba.

Severance pay, at the Direct Managed employee's date of retirement, will be determined by multiplying the eligible employee's years of service by the employee's weekly salary (to a maximum compensation of 22 weeks). Eligibility will require that the employee has achieved a minimum of ten years of service and that the employee is retiring from MHRC.

Severance pay, at the MHRC employee's date of retirement, will be determined by multiplying the eligible employee's years of service by the employee's weekly salary (to a maximum compensation of 23 weeks). Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from MHRC.

An actuarial report was completed for the severance pay liability as at March 31, 2020. MHRC's actuarially determined liability relating to the Direct Managed employees as at March 31, 2020 was $3,704,079 (2019 - $3,905,145). The report provides a formula to update the liability on an annual basis.

MHRC recorded a severance liability as at April 1, 2003 in the amount of $569,000 associated with the severance benefits earned by the former Department of Family Services and Housing employees who were transferred to MHRC on February 8, 2003. The amount of this estimated liability is determined and recorded annually using a method of calculation set by the Province of Manitoba.

An actuarial report was completed for the severance pay liability as at March 31, 2020. MHRC's actuarially determined liability relating to the MHRC employees as at March 31, 2020 was $1,129,881 (2019 - $1,256,231). The report provides a formula to update the liability on an annual basis.

	2020	2019
Severance liability per actuarial valuation:		
Direct Managed employees:		
Balance at beginning of year	$ 3,905,145	$ 3,921,048
Interest cost on benefit obligations	234,309	235,263
Current service costs	303,872	306,884
Benefits paid	(395,792)	(400,546)
Experience gain (amortized over EARSL)	(343,455)	(157,504)
Balance at end of year	3,704,079	3,905,145
MHRC employees (including former Department of Family Services and Housing employees):		
Balance at beginning of year	1,256,231	1,313,348
Interest cost on benefit obligations	75,374	78,801
Current service costs	70,984	77,485
Benefits paid	(123,968)	(194,829)
Experience loss/(gain) (amortized over EARSL)	(148,740)	(18,574)
Balance at end of year	1,129,881	1,256,231
Unamortized actuarial gain	1,042,545	630,174
Severance liability balance at end of year	$ 5,876,505	$ 5,791,550

19. Severance (continued)

At March 31, 2020, the unamortized actuarial gain to be recognized in future periods is as follows:

		2020		2019
Unamortized actuarial gain/(loss):				
Direct Managed employees:				
Balance at beginning of year	$	420,103	$	298,561
In year gain amortized over EARSL - 2020 - 10 years (2019 - 10 years)		343,455		157,504
Amortization of actuarial gain		(51,712)		(35,962)
Balance at end of year		711,846		420,103
MHRC employees (including former Department of Family Services and Housing employees):				
Balance at beginning of year		210,071		217,752
In year gain amortized over EARSL - 2020 - 10 years (2019 - 10 years)		148,740		18,574
Amortization of actuarial gain		(28,112)		(26,255)
Balance at end of year		330,699		210,071
Balance at end of year	$	1,042,545	$	630,174

		2020		2019
Change to severance obligation:				
Direct Managed employees:				
Interest cost on benefit obligations	$	234,309	$	235,263
Current service costs		303,872		306,884
Benefits paid		(395,792)		(400,546)
Amortization of actuarial gain		(51,712)		(35,962)
		90,677		105,639
MHRC employees (including former Department of Family Services and Housing employees):				
Interest cost on benefit obligations		75,374		78,801
Current service costs		70,984		77,485
Benefits paid		(123,968)		(194,829)
Amortization of actuarial gain		(28,112)		(26,255)
		(5,722)		(64,798)
Change to severance obligation	$	84,955	$	40,841

The key actuarial assumptions were a rate of return of 5.75% (2019 - 6.00%), 2.00% inflation (2019 - 2.00%), and general salary rate increases of 2.50%, excluding the 1.00% service and merit increases (2019 - 2.75%). The projected benefit method was used and the liability has been calculated as at March 31, 2020 by the actuary.

b) Severance pay receivable

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by MHRC's employees. Accordingly, MHRC recorded effective April 1, 1998, a receivable of $877,105 from the Province of Manitoba, which was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

The amount recorded as a receivable from the Province for severance pay of $569,000 for former Department of Family Services and Housing employees was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at April 1, 2003. Subsequent to April 1, 2003, the Province provides annual grant funding for severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

20. Financial instruments and financial risk management

Financial instruments comprise the majority of MHRC assets and liabilities. MHRC risk management policies are designed to: identify and analyze risk, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Board of Directors approves these policies and management is responsible for ensuring that the policies are properly carried out. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting, third party compliance reporting and by reviews conducted by MHRC.

MHRC is exposed to credit, interest, and liquidity risks in respect of its use of financial instruments.

a) Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The financial instruments that potentially subject MHRC to credit risk consist principally of accounts receivable, loans and mortgages receivable and guarantees on loans.

MHRC's maximum possible exposure to credit risk is as follows:

	2020	2019
Accounts receivable (note 3)	$ 63,883,577	$ 57,896,477
Loans and mortgages receivable (note 5)	78,659,823	84,909,195
Loan guarantees (note 23)	10,834,596	11,146,596
	$ 153,377,996	$ 153,952,268

MHRC establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on MHRC's estimates and assumptions regarding customer analysis, historical payment trends and statutes of limitations. These factors are considered when determining whether past due accounts are allowed for or written off.

The change in the allowance for doubtful accounts during the year was as follows:

	2020	2019
Balance, beginning of the year	$ 8,885,252	$ 7,445,139
Provision for receivable impairment	2,452,143	1,448,156
Amounts written off	(1,008,891)	(8,043)
Balance, end of the year	$ 10,328,504	$ 8,885,252

As at March 31, 2020, $3,454,647 (2019 - $4,393,129) of accounts receivable and $583,493 (2019 - $443,064) of loans and mortgages receivable were past due, but not impaired.

Accounts receivable

The accounts receivable partially consists of $14,691,708 (2019 - $10,007,932) due from Canada Mortgage and Housing Corporation, $21,121,086 (2019 - $10,721,797) from the Province of Manitoba and $12,390,258 (2019 - $12,387,581) from the City of Winnipeg.

Loans and mortgage receivable

Impairment provisions are provided for losses that have been estimated as of the Statement of Financial Position date. Management of credit risk is an integral part of MHRC's activities with careful monitoring and appropriate remedial actions being taken. To mitigate credit risk, loans and mortgage recievable are mostly secured by registering a mortgage on title of the applicable property.

20. Financial instruments and financial risk management (continued)

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate exposure relates to deposit with the banks, loans and mortgages receivable, and long-term debt.

Loans and mortgage receivable/loans from the Province of Manitoba

MHRC borrows funds for lending operations from the Province of Manitoba at fixed rates and normally lends those funds to clients at a reasonable percentage above the associated borrowing rate. For long-term advances that have fixed interest rates for the full term of the advance, MHRC only offers fixed interest rate loans to its clients. Due to this corresponding arrangement, MHRC does not incur significant interest rate risk. However, some interest rate risk may result due to MHRC's lending policy of allowing prepayment of loans without penalty, given that MHRC does not have the offsetting ability to prepay the associated advances from the Province of Manitoba without penalty. MHRC mitigates this risk by closely matching the cash flow from client loan payments, including estimated annual prepayments, to the cash flow required to repay advances from the Province of Manitoba.

In addition, MHRC's advances from the Province of Manitoba have variable interest rates which expose MHRC to cash flow interest rate risk. At March 31, 2020, had prevailing interest rates increased or decreased by 1.00%, the estimated impact on interest expense would be approximately $1,158,000 (2019 - $1,134,000).

c) Liquidity risk

Liquidity risk relates to MHRC's ability to access sufficient funds to meet its financial commitments.

Advances from the Province of Manitoba have a direct correlation to the loans receivable as the funds borrowed are directly lent to MHRC clients. Funding is provided by the Province of Manitoba for the full amount of loans that are written off. As a result, MHRC has minimal liquidity risk on its lending portfolio in respect of advances from the Province of Manitoba.

21. Contingencies

MHRC is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of MHRC. Any settlement will be recognized in the year the settlement occurs.

22. Commitments

MHRC has the following commitments as at March 31, 2020:

Tangible capital assets:

a) Housing project enhancements and new construction	$	59,966,452
b) Third party repair, renovation and new construction	$	8,936,958

Public housing operations:

As a result of the Social Housing Agreement dated September 3, 1998, MHRC is fully responsible for the funding commitments of all social housing projects in Manitoba. These commitments will expire on a staggered basis over the period ending 2031, concurrent with the Social Housing Agreement funding expiration date of August 31, 2031. An estimate of these commitments for each of the next five years is as follows:

2021	$	123,037,900
2022		128,937,000
2023		135,838,700
2024		141,026,500
2025		143,273,900

23. Guarantees

MHRC has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts. MHRC is authorized to issue loan guarantees up to $20,000,000. The outstanding guarantees are as follows:

	2020	2019
Waverley West Letters of Credit	$ 8,774,596	$ 9,086,596
Thompson Lions Seniors Manor Non Profit Housing Coop Inc.	2,060,000	2,060,000
	$ 10,834,596	$ 11,146,596

The Loan Guarantee issued in favour of Thompson Lions Seniors Manor Non Profit Housing Coop Inc (TLSMNP). was called by the Assiniboine Credit Union (ACU) on April 6, 2020 due to payment default. MHRC has paid off the debt and has now taken the position of ACU as first mortgage.

24. Related party transactions

MHRC is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. MHRC enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

25. Budget

On October 10, 2019, the Appropriation Act 2019 and the Loan Act 2019 were given Royal Assent which includes the 2019/20 budget for MHRC. MHRC budget includes housing support, program expenses as well as capital expenditures.

26 Comparative figures

Certain comparative figures in the financial statements have been restated to conform with the presentation of the current year.

27. Subsequent event

In the month of March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social distancing impact. At the time of approval of these financial statements, MHRC has experienced impacts to operations, the provision of services, and a work from home arrangement for those staff who are able to do so as a result of the COVID-19 pandemic. Financial statements are required to be adjusted for events occuring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. Management completed this assessment and determined that no adjustments are necessary at this time.

There are other factors, however, which present uncertainty over future cash flows that may casuse significant changes to MHRC's futre operatons. An estimate of the financial effect of these items is not practicable at this time.